# Loan Servicing Opportunities
## *Detailed Documentation*

# 2.1 Automate Refund Processing for Lenders and Schools

- **Opportunity:**
  - Allow electronic payments through EFT and/or FedWire (similar to LC file for GAPs)
  - Potentially bypass FMS

- **Objectives:**
  - Improve customer (school and lender) satisfaction
  - Significant reduction in amount of time required to return money

- **Issues/Challenges:**
  - Interagency coordination and infrastructure between Utica, GAPS, FMS, Treasury, etc.
  - Setup of routing number and DUNS number
  - Review of Deliverable 22 with respect to FMS initiative

- **Potential Savings:**
  - Eliminate manual processing and tape creation

# 2.2 Re-Start Express Refinance for Direct Loan Borrowers

- **Opportunity:**
  - Consolidate DL only borrowers within 24 hours of request via Web or phone

- **Objectives:**
  - Remove need for data transfer from LS to LC and back to LS since data already exists in Servicing
  - Significantly reduce cost to consolidate a loan

- **Proposed Solutions:**
  1) LS Express Refinance product
  2) Give LC access to LS database

- **Issues/Challenges:**
  - Servicing code has not been exercised in 3 years
  - Web functionality does not currently exist
  - Prior Express Refinancing was done with variable rate Consolidation Loans
  - Conflict with current LC contract
  - Contractual and telecommunications issues in granting access to LS database

- **Potential Savings:**
  - Savings range of $500K - $3M per year

Common Services for Borrowers

# 2.3 CSB Portal

- **Opportunity:**
  - Create one Web entry point for CSB

- **Objectives:**
  - Begin to create "One Face of Direct Loans"
  - First step in creating an integrated web solution for LS, LC, and DMCS
  - Eliminate feeling that borrowers are navigating two completely different websites, unsure if they are both related to the Department of Eduaction

- **Issues/Challenges:**
  - Ease of reaching essential on-line repayment functionality from student portal

- **Potential Savings:**
  - N/A

# 2.4 Encourage Delinquent Borrowers onto EDA

- **Opportunity:**
  - Counsel delinquent borrowers on the many advantages of EDA

- **Objectives:**
  - Increase adoption of EDA
  - Reduce the probability that these borrowers will go delinquent in the future
  - Ease of borrower repayment

- **Proposed Solutions:**
  1) Include EDA brochure with BIL2 to increase cure rate @ < 30 days delinquent
  2) Counsel borrowers on in-bound and out-bound calls
  3) Target delinquent population through e-mail

- **Issues/Challenges:**
  - May increase NSF volume if a sufficient balance is not maintained

- **Potential Savings:**
  - Reduce collection costs
  - Reduce number of bills generated each billing cycle

# 2.5 Default Borrowers to Combined Billing

- **Opportunity:**
  - Place borrowers on combined billing when loans book to Servicing
  - Only remove borrowers from combined billing upon request

- **Objectives:**
  - Eliminate unnecessary bills

- **Issues/Challenges:**
  - Potential borrower complaints (ex: PLUS borrowers). However, a transaction will still exist to remove a borrower from combined billing in exception cases.

- **Potential Savings:**
  - Reduce number of bills generated each billing cycle

*\* After further research, it was determined that borrowers are currently being defaulted to combined billing. Any future Common Services for Borrowers Solution will incorporate this recommendation.*

# 2.6 Consolidation of Deliverable Reports

- **Opportunity:**
  - Review, remove, consolidate deliverable reports

- **Objectives:**
  - Remove obsolete reports
  - Remove valueless reports
  - Revise and/or combine reports where appropriate

- **Proposed Solutions:**
  1) Remove following reports: Collection Activity, Customer Service Activity, Deferment and Forbearance Activity, Skip Tracing Activity
  2) Review additional reports for usefulness or potential enhancements
  3) Enforce standards across all reports - description of process used to generate, data source, etc.

- **Issues/Challenges:**
  - N/A

- **Potential Savings:**
  - No longer produce or pay for certain reports

# 2.7 Grace Counseling

- **Opportunity:**
  - Encourage active borrower participation by providing counseling before repayment begins by selecting repayment plan, answering questions, etc.

- **Objectives:**
  - Encourage electronic repayment options

- **Proposed Solutions:**
  1) Create Siebel script for CSR counseling (quick hit)
  2) Create additional call queue from the autodialer (medium)

- **Issues/Challenges:**
  - Must track who has/has not received Grace Counseling through a flag or history record

- **Potential Savings:**
  - Reduce delinquency
  - Increase usage of electronic services

# 2.8 Automate FFEL Consolidation Certification and Payoff

- **Opportunity:**
  - Create process to automate the certification and payoff of FFEL consolidation loans

- **Objectives:**
  - Eliminate manual cost to provide certification information to FFEL consolidators
  - Significantly reduce manual cost to process payoffs from FFEL consolidators

- **Proposed Solutions:**
  1) Create common process for electronic verification and EFT payments
  2) Create web access for FFEL consolidators that provides required certification information only

- **Issues/Challenges:**
  - FFEL consolidator cooperation
  - Privacy and security issues

- **Potential Savings:**
  - Eliminate certification costs
  - Reduce most manual processing of FFEL consolidation payoffs

# 2.9 Bi-weekly Payments

- **Opportunity:**
  - Allow EDA borrowers to debit more often

- **Objectives:**
  - Allow borrowers to have more flexibility when making payments
  - Increase EDA usage
  - Increase prepayments; reduce payoff term for borrowers

- **Proposed Solutions:**
  1) Semi-monthly payments – Borrowers choose 2 existing billing cycles (still 24 payments per year)
  2) Borrower is debited 26 times per year

- **Issues/Challenges:**
  - Budget approval process to determine if loss of interest paid is offset by an increase in EDA usage (reduced fulfillment and collections costs)

- **Savings:**
  - TBD

# 2.10 Single CSB Web Solution

- **Opportunity:**
  - Fully integrate LS, LS, and DMCS web sites into a single web solution

- **Objectives:**
  - Create "One Face of Direct Loans"
  - Reduce hosting, maintenance, and development costs

- **Issues/Challenges:**
  - Coordination and Integration with Student Portal

- **Potential Savings:**
  - Web hosting/development savings

Common Services for Borrowers

# 2.11 Automation of DCS Rehab/Recall Process

- **Opportunity:**
  - Create automated processes to Rehabilitate and Recall loans transferred to DCS

- **Objectives:**
  - Greatly reduce manual processing when reinstating loans to Servicing
  - Quickly reinstate loans that are wrongly transferred to DCS
  - Ensure loan balances are promptly and properly re-established

- **Proposed Solutions:**
  1) Automate existing rehab/recall transactions
  2) Treat rehabilitated loans as a new consolidation loan

- **Issues/Challenges:**
  - Policy approval of creating a new consolidation loan for option #2

- **Potential Savings:**
  - Reduce manual processing costs similar to those realized with SSCR processing improvements

# 2.12 Automate Refund Processing for Borrowers

- **Opportunity:**
  - Electronic transfer of funds to Treasury so that checks can be sent to borrowers

- **Objectives:**
  - Significant reduction in amount of time required to return money
  - Improve borrower satisfaction

- **Issues/Challenges:**
  - Interagency coordination between ED and Treasury
  - Review of Deliverable 22 with respect to FMS initiative

- **Potential Savings:**
  - Eliminate manual processing and tape creation

# 2.13 Online Chats/Collaboration with Borrowers

- **Opportunity:**
  - Allow "conversation" between borrower and CSR for detailed and/or follow-up questions

- **Objectives:**
  - Allow borrowers a quick and convenient method for resolving issues
  - Improve customer service

- **Issues/Challenges:**
  - Privacy, security, and policy
  - CSR training and coordination

- **Potential Savings:**
  - TBD (Consistent Answers/CRM for FSA may encompass online chats)

# 2.14 Seamless Correspondence

- **Opportunity:**
  - Eliminate correspondence that is not in use or necessary
  - Consolidate correspondence with similar purposes

- **Objectives:**
  - Create "One Face of Direct Loans"
  - Eliminate confusion from borrowers receiving letters from the Department of Education in different formats
  - Simplify correspondence update process

- **Issues/Challenges:**
  - Possibility of oversimplifying letters and leaving out important information
  - Coordination across Direct Loan subsystems
  - Coordination with LS Letter Re-engineering and XSTREAM conversion efforts

- **Potential Savings:**
  - TBD

# 2.15 Payroll Deductions for Student Loans

- **Opportunity:**
  - Allow the electronic payments of Direct Loans through payroll deductions

- **Objectives:**
  - Increase number of payment options for customers
  - Increase number of electronic payments
  - Encourage on-time payments

- **Issues/Challenges:**
  - Interagency coordination between ED employers
  - Additional payment interface to maintain

- **Potential Savings:**
  - Reduce number of bills generated each billing cycle

# 2.16 Implement Coupon Books as a Billing Option

- **Opportunity:**
  - Allow borrowers to select coupon books as their desired billing method

- **Objectives:**
  - Reduce paper bill generation
  - Reduce amount of correspondence received by borrower
  - Allow flexible repayment options

- **Issues/Challenges:**
  - Changes in due amount after coupon books are issued
  - Potential increase in exception processing at Lockbox and DLSC
  - Servicing code has not been exercised since 1998 implementation – a new design would be required

- **Potential Savings:**
  - Mailing cost reduction from 12 bills per year to 1 coupon book per year

# 2.17 Fulfillment Process Improvements

- **Opportunity:**
  - Consolidate use of fulfillment centers across systems

- **Objectives:**
  - Improve consistency of timing and delivery for bills and other mailings
  - Increase QC sampling

- **Proposed Solutions:**
  - Modify existing billing process

- **Issues/Challenges:**
  - Existing contracts with fulfillment centers

- **Potential Savings:**
  - Discounts for increased volume for individual fulfillment centers

# 2.18 Expand Express Refinance for Borrowers with Direct and non-Direct Loans

- **Opportunity:**
  - Consolidate Direct portion of underlying loans through Express Refinance process
  - Treat non-Direct underlying loans as supplemental loans to the new Express loan

- **Objectives:**
  - Fully eliminate need to transfer underlying Direct Loan data between LS and LC (no DCN or FCA transactions necessary)
  - Significantly reduce cost to consolidate

- **Issues/Challenges:**
  - Loan Servicing code modifications required
  - Prior Express Refinancing was done with variable rate Consolidation Loans
  - LC contract incentive structure
  - Bill amount will change with each supplemental loan

- **Potential Savings:**
  - Eliminate need to process DCN and FCA transactions

# 2.19 Data Archiving Strategy

- **Opportunity:**
  - Create a shared data archiving methodology

- **Objectives:**
  - Allow access to information in data archive from different systems
  - Improve system processing

- **Proposed Solutions:**
  1) Utilize CMDM
  2) Research other products to archive data

- **Issues/Challenges:**
  - Data privacy and security
  - Ability to retrieve/restore data
  - Agreement upon what data to archive
  - Capacity planning

- **Potential Savings:**
  - Faster system processing
  - Storage costs including hardware purchases and disk space

# 2.20 Remove Packet Numbers

- **Opportunity:**
  - Packet numbers from the existing database structure
  - Track data at borrower, loan, and disbursement levels only

- **Objectives:**
  - Simplify database structure
  - Simplify borrower counseling
  - Eliminate inconsistencies across packets
  - One account per borrower
  - Follow industry/FSA standard

- **Issues/Challenges:**
  - Requires a major system overhaul or replacement.

- **Potential Savings:**
  - Reduce maintenance and development costs
  - Reduce extraneous transaction application and letter generation.

# 2.21 More Flexible Due Dates (Any Day of the Month)

- **Opportunity:**
  - Allow borrowers to choose their own due date

- **Objectives:**
  - Increase repayment options for borrowers
  - Diffuse billing/fulfillment process
  - Follow lending industry customer service standard

- **Issues/Challenges:**
  - Major change to current billing process
  - Potential complication to EDA process

- **Potential Savings:**
  - N/A

# 2.22 Additional Incentives Programs

- **Opportunity:**
  - Increase the number and usage of Direct Loan incentive programs

- **Objectives:**
  - Encourage On-Time repayment
  - Improve borrower satisfaction

- **Proposed Solutions:**
  1) New On-time Repayment Incentives (ie. Lower interest rate after 48 months of paying on-time)
  2) Increase EDA discount over time
  3) Incentive for Web usage
  4) Lottery for Loan Forgiveness
  5) Bi-weekly Payments

- **Issues/Challenges:**
  - Budget approval to ensure proposed incentives are revenue neutral

- **Potential Savings:**
  - TBD

# 2.23 Enterprise Imaging Strategy

- **Opportunity:**
  - Create a central repository for all Direct Loan documents
  - Provide less expensive Web-based access for multiple systems

- **Objectives:**
  - Reduce document storage costs
  - Eliminate costs of transferring images between systems

- **Issues/Challenges:**
  - Coordination with other Direct Loan systems
  - Privacy and security
  - Compatibility of file and document types; conversions may be required

- **Potential Savings:**
  - Development and maintenance costs of multiple systems
  - Eliminate image transfers between systems